September 11, 2002

MEMORANDUM

FOR: M/AS, Roberto J. Miranda

FROM: IG/A/ITSA, Melinda G. Dempsey /s/

SUBJECT: Risk Assessment of Major Functions Within the Information
              and Records Division of the Office of Administrative
              Services, Bureau for Management
              (Report No. A-000-02-003-S)

This memorandum is our report on the subject risk assessment. Although
this is not an audit report, this report contains suggestions for your
consideration. We have reviewed your comments, and they are included as
Appendix II. I appreciate the cooperation and courtesy extended to my staff
during the risk assessment.

Background

The Office of Administrative Services, Bureau for Management, (M/AS)
provides logistical support services and administrative services worldwide
and is responsible for functions costing approximately $40 million annually.
It is comprised of the Office of the Director[1] and four divisions:

- Consolidation, Property and Services Division,[2]
- Information and Records Division,
- Overseas Management Support Division,[3] and
- Travel and Transportation Division.[4]

During the past decade, the Office of Inspector General has performed few
audits of the Office of Administrative Services' functions. In addition, the
Office of Administrative Services has received limited external reviews and
evaluations from other sources. Given the lack of external independent

[1] See risk assessment Report No. A-000-02-001-S.
[2] See risk assessment Report No. A-000-02-002-S.
[3] See risk assessment Report No. A-000-02-004-S.
[4] See risk assessment Report No. A-000-02-005-S.

reviews, including audits, we performed risk assessments of the major functions of the Information and Records Division of the Office of Administrative Services.

The General Accounting Office's "Standards for Internal Control in the Federal Government" (November 1999) note that internal controls should provide reasonable assurance that agency objectives are being achieved, operations are effective and efficient, assets are safeguarded against loss, and that transactions are properly recorded. Internal controls consist of the following five interrelated components. These components are the minimum level for internal control and provide the basis against which internal control is to be evaluated.

1. Management and employees should establish and maintain a <u>control environment</u> throughout the agency that sets a positive and supportive attitude toward internal control and conscientious management.
2. Internal control should provide for a <u>risk assessment</u> of the risks the agency faces from both external and internal sources.
3. Internal <u>control activities</u> should be effective and efficient in accomplishing the agency's control objectives and help ensure that management's directives are carried out.
4. <u>Information</u> should be recorded and <u>communicated</u> to management and others within the agency who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities.
5. Internal control <u>monitoring</u> should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved.

This review focused on the second component—risk assessment. The GAO Standards note that the specific risk analysis methodology used can vary because of differences in agencies' missions and the difficulty in qualitatively and quantitatively assigning risk levels. This review assigned a risk exposure of high, moderate, or low for each major function. A higher risk exposure simply indicates that the particular function is more vulnerable to its program objectives not being achieved or irregularities occurring. Appendix I describes in detail our risk assessment scope and methodology.

Discussion   The Information and Records Division of the Office of Administrative Services, Bureau for Management, (M/AS) is responsible for the following four major functions.[5] Our assessments of the risk exposure for each of these major functions are described below.

Function Description	Risk Exposure
Agency directives—Format, distribution, and clearance of Automated Directives System (ADS)	Moderate
Risk Assessment Factors	

- During fiscal year 2001, two contracts to perform this activity incurred obligations of $514,000 and $413,000. Only $65,000 of the $514,000 is for production of ADS CD ROMs with the rest going to other records management activities. The second is for document preparation, web page development and maintenance, and administrative support.
- No independent review of the ADS function has been conducted since at least October 1996.
- The cognizant technical officer for the $514,000 contract (CD ROMs) is from another bureau.
- Some ADS are out-of-date in content and/or format. Causes include USAID bureaus' lack of support and low priority. Bureaus are requested to annually certify if their ADS policies and procedures are current. However, the response certifications are not tabulated and limited followed-up is conducted.

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[5] Our risk assessments only covered major functions. In addition to the major functions described in this report, the Information and Records Division also is responsible for archiving of records, correspondence management, forms and report management program, review and submittal of Federal Register Notices.

Function Description	Risk Exposure
Declassification of records	Moderate

Risk Assessment Factors

- Function has limited dollar vulnerability.
- Declassification team consists of five staff of retired annuitants.
- Declassification can be highly sensitive.
- No internal quality control review process is in place.
- Initial review of high priority documents has been completed, now reviewing remaining documents in sequential order.
- Executive order 13142 requires declassification of all records prior to 1978 (25 years old) by 2003. The status of USAID's declassification is early-1970s documents. Despite expectations of meeting deadline requirements, effective measurement of progress is limited because universe of documents yet to be declassified is unknown.
- USAID has agreements with other federal agencies to review and declassify documents pertaining to USAID. Certain categories of these documents are referred to the USAID declassification team.
- Database for tracking document declassification was instituted in May 2001 but will require a substantial amount of time to "catch-up".
- Space in the declassification area is cramped.

Function Description	Risk Exposure
FOIA and PA—Processing of Freedom of Information Act (FOIA) and Privacy Act (PA) requests for information	Moderate

Risk Assessment Factors

- Function has limited dollar vulnerability.
- The greater risk is associated with releasing too much information.
- No internal reviews have been conducted since at least 1992.
- FOIA attorney position has recently been filled by a retired annuitant after being vacant for over one year.
- Despite several attempts, FOIA analyst position has been vacant for approximately one year.
- Current (Microsoft Access) database used to track FOIA requests is of limited usefulness. Software designed specifically for FOIA activity has recently been purchased and is being implemented.
- Despite several attempted updates, the inventory of the Agency's "System of Records" has not been updated since 1975.

Function Description	Risk Exposure
Vital records management	High
Risk Assessment Factors	

- Vital records management is receiving increased attention since the recent attacks on government installations.
- The management of the vital records function is carried out by one staff person who has been in that role since 1997 and is expected to spend 50 percent of her time on vital records.
- The U.S. storage of vital records is carried out by one contractor. USAID missions arrange for their own storage.
- The identification part of the function is carried out by bureaus and missions using guidance from the Information and Records Division vital records officer. This same vital records officer provides training and assistance to bureaus and missions.
- In response to a general notice, several bureaus (4 of 12) and most missions (61 of 69) have not reported their most recent status to the Information and Records Division in identifying their vital records and/or file plans.
- No oversight mechanism exists for reporting the bureaus and missions' status in (not) meeting vital records requirements.
- No recent internal reviews of the vital records function.
- Unnecessary effort could be avoided if a single database were used for incorporating vital records within the file plans.

Conclusion

Our risk assessments of the Information and Records Division of the Office of Administrative Services, Bureau for Management, (M/AS) covered four functions and reached the following conclusions.

Function Description	Risk Exposure		
	High	Moderate	Low
Agency directives—Format, distribution, and clearance of Automated Directives System (ADS)		✔	
Declassification of records		✔	
FOIA and PA—Processing of Freedom of Information Act (FOIA) and Privacy Act (PA) requests for information		✔	
Vital records management	✔		

Based on these assessments, we suggest that the Office of Administrative Services focus its efforts to mitigate the higher risk associated with the function of vital records management. Specifically for the vital records management function, we suggest that the Office:

- identify and report to USAID management those missions and bureaus that have not provided their vital records plans and upgrade the general notice to the Administrator level.

Beyond this high-risk function, we suggest that the Office of Administrative Services institute the following improvements:

- in regard to the agency directives function, track, follow-up, and report to management the status of ADS response certifications from bureaus,
- in regard to declassification of records, intensify efforts to ensure that the database to measure declassification status is current, and
- in regard to the FOIA and PA function, (1) update the inventory of the Agency's "System of Records" and (2) complete the implementation of a new database for tracking FOIA and PA requests.

Both Information and Records Division and Office of Administrative Services management agreed with our risk assessments and our suggested courses of action. The Office of Administrative Services noted in their comments on the draft report (see Appendix II) several specific actions that that they have pursued to respond to our suggested courses of action.

Scope and Methodology

Scope

The Office of Inspector General, Information Technology and Special Audits Division, conducted a risk assessment of major functions within the Information and Records Division of the Office of Administrative Services, Bureau for Management (M/AS). This risk assessment was not an audit. The risk assessment covered operations principally for fiscal year 2001. The risk assessment was conducted at USAID headquarters in Washington, D.C. from October 12, 2001 to February 14, 2002.

Our risk assessments of the Information and Records Division's major functions have the following limitations in their application.

- First, we assessed risk at the major function level only, not at the Division or Office level.
- Second, we assessed risk only. Our risk assessments were not sufficient to make definitive determinations of the effectiveness of internal controls for major functions. Consequently, we did not generally (a) assess the adequacy of internal control design, (b) determine if controls were properly implemented, and (c) determine if transactions were properly documented. If we were able to make these types of determinations within the scope of our work, we reported on them accordingly as part of our risk exposure assessments.
- Third, higher risk exposure assessments are not definitive indicators that program objectives were not being achieved or that irregularities were occurring. A higher risk exposure simply indicates that the particular function is more vulnerable to such events.
- Fourth, risk exposure assessments, in isolation, are not an indicator of management capability due to the fact that risk assessments consider both internal and external factors, some being outside the span of control of management.
- Fifth, comparison of risk exposure assessments between organizational units is of limited usefulness due to the fact that risk assessments consider both internal and external factors, some being outside the span of control of management.

Methodology

We interviewed officials as well as reviewed related documentation of major functions performed by the Information and Records Division. These documents covered background, organization, management, budget, relevant laws and regulations, staffing responsibilities, prior reviews, internal controls, and risks (i.e., vulnerabilities). Our tests of documentation were limited and judgmental in nature and conducted principally to confirm oral attestations of management.

We identified the Division's major functions using the input of the Division Director and based on the significance and sensitivity of each major function. We determined risk exposure for all major functions in each division, e.g., the likelihood of significant abuse, illegal acts, and/or misuse of resources, failure to achieve program objectives, and noncompliance with laws, regulations and management policies. We assessed overall risk as high, moderate, or low. A higher risk exposure simply indicates that the particular function is more vulnerable to its program objectives not being achieved or that irregularities were occurring. We considered the following key steps in assessing risk:

(a)   determined significance and sensitivity;
(b)   evaluated susceptibility of failure to attain program goals, noncompliance with laws and regulations, inaccurate reporting, or illegal or inappropriate use of assets or resources;
(c)   were alert to "red" flags such as a history of improper administration or material weaknesses identified in prior audits/internal control assessments, poorly defined and documented internal control procedures, or high rate of personnel turnover;
(d)   considered management support and the control environment;
(e)   considered competence and adequacy of number of personnel;
(f)   identified and understand relevant internal controls, and
(g)   determined what is already known about internal control effectiveness.

These risk assessments were not sufficient to make definitive determinations of the effectiveness of internal controls for major functions. As part of the review methodology, we did (a) identify, understand, and document (only as necessary) relevant internal controls and (b) determine what was already known about the effectiveness of internal controls. However, we did not generally (a) assess the adequacy of internal control design, (b) determine if controls were properly implemented, nor (c) determine if transactions were properly documented. In some cases, we were able to make these assessments and reported on them accordingly as part our risk exposure assessments.

Management Comments

April 15, 2002

MEMORANDUM

TO: Melinda Dempsey, IG/A/ITSA

FROM: Roberto J. Miranda, M/AS/OD

SUBJECT: Risk Assessment of Major Functions Within the
          Information and Records Division of the Office
          of Administrative Services
          (Report No. A-000-02-xxx-S)

     The Information and Records Division (IRD) has no
objections to the designated Risk Exposure ratings and
recommended improvements of the four IRD programs (ADS,
Systematic Declassification, FOIA/PA, and Vital Records)
reviewed by OIG.

     Identify and report to USAID management those
missions and bureaus that have not provided their vital
records plans and upgrade the general notice to the
Administrator level.

     IRD's premise is that while many USAID organizations
are sensitized to a need to capture Vital Records, they
may not adequately understand the program and their roles
in the program. To rectify this problem, IRD held 6
Vital Records Workshops in 2001 and provided many
individual briefings to USAID/W offices. A briefing on
the Vital Records Program will be given at the upcoming
2002 EXO Conference. M/AS Overseas Management Support
Division has been holding focus group meetings with many
USAID/W offices. One of the major goals of the focus
meetings is to help the participants define their vital
functions - the first major step in developing a Vital
Records package.

IRD is taking actions on other fronts that will impact the development of Vital Records packages in Washington.

Based on increased awareness by the missions and bureaus, IRD expects the 2002 reporting compliance rate to be higher than previous years.

In regard to the Agency directives function, track and follow-up the status of ADS response certifications from bureaus.

The Automated Directives System (ADS) includes ADS policy and procedural chapters, active portions of the old USAID Handbooks, Agency Policy Notices, and applicable internal and external references.

The IRD contractor provides a monthly report on the status of the ADS chapters. Every year, as required by ADS 501.3.7 (Automated Directives System [ADS] - Annual ADS Certification), IRD and its contractor conduct a certification review of the ADS chapters. Cognizant Directors responsible for ADS materials are required to certify that the contents of their chapters are current. If the chapters are not current, they are asked to provide a timeline outlining the planned revisions. If the Directors/Division Chiefs do not respond to the certification requests, IRD makes two one-on-one follow-ups: one with the Directors/Division Chief and one with the official above the Director/Division Chief. During the upcoming certification process, IRD intends to continue this established protocol. However, in line with OIG's recommendation, IRD will report the non-responding offices to upper management within the Bureau for Management.

In regard to declassification of records, intensify efforts to ensure that the database to measure declassification status is current.

The development of our Declassification Program database capabilities is well underway and there is no backlog of data to be entered into the system.

In regard to the Privacy Act function, update the inventory of the Agency's "Systems of Records"

The Agency's inventory of its Privacy Act (PA) Systems of Records is outdated. IRD has not had the necessary manpower resources to correct this inadequacy.

While IRD does intend to update this inventory, it must be noted that that process may take 18 to 24 months to complete. IRD's limited direct-hire resources will restrict our efforts. The speed in which this task can be accomplished will be dependent upon the cooperation of the systems' owners. Depending upon the changes that must be made to a system's descriptions, 30- to 60-day notifications must be sent to the Federal Register and sometimes to OMB.

<u>In regard to the Freedom of Information Act (FOIA) and Privacy Act (PA) functions, complete the implementation of a new database for tracking requests</u>.

IRD currently has a simple ACCESS-based tracking database for its FOIA and PA requests. The compilation of that data for this very complex report is cumbersome and time-consuming.

IRD has purchased a FOIA tracking, on-line redaction, and reporting COS software program. This program is being tailored to reflect our unique organizational makeup and processing methods. Training will be provided to the USAID Systems Administrator and the FOIA Specialists. These tasks are scheduled to be completed by June 31, 2002.

In closing, M/AS/OD appreciates the professional assistance, courtesy and help of the IG staff, particularly as we work to implement your recommendations.